

The African Development Bank Group Chief Economist Complex



Market Brief

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1. Market Commentary

1.1 Stock Markets

During the week of 15 – 19 November 2010, the majority of African stock markets gained alongside the major global stock markets. Global stocks rebounded as higher-than-expected U.S. corporate profits and expectations of an imminent resolution of Ireland's banking crisis outweighed renewed talk of further policy tightening in China. The stock market in Ghana led the winners among African stock markets, recording a substantial increase of 2.9%, followed by the markets in Uganda and Mauritius, which registered significant gains of 2% and 1.6%, respectively. Moderate gains of less than 1% were posted by the markets in Egypt, Morocco, Côte d'Ivoire, and Tunisia. On the other hand, three African stock markets fell, with the Nigerian stock market recording the largest loss of 1.6%, while those of South Africa and Kenya registered moderate losses of 0.9% and 0.3%, respectively.

Equity Focus

Uganda: The All Share Index of the Uganda Securities Exchange (USE) rose by 2% over the week, reflecting in part the inertial force of speculative demand for stocks. During the third quarter of this year, the turnover in USE halved from UGX 8.6 billion to UGX3.9 billion, while the All Share Index rose by 8.2%, reflecting the strength of speculative demand amid limited supply of shares due

to an expectation of continued increases in equity prices.

South Africa: The All Share Index declined by 0.9% over the week amid concern that the People's Bank of China's move to contain inflation will slow down global growth and put downward pressure on commodities and related stocks

1.2 Commodity Markets

Crude Oil (Brent): The price of Brent crude oil fell sharply by 4%, posting its biggest weekly loss in three months. The sharp drop reflected the worries regarding the Irish debt crisis and the possibility that the People's Bank of China will take further actions to prevent inflation.

Gold: The price of gold declined by 3.3%, recording a second straight weekly loss, as moves by China to fight inflation and slow growth eroded demand for precious metals and raw materials. The sensitive response of the gold price to Chinese actions reflects in part the increased influence of Chinese investors in determining the demand for gold.

1.3 Exchange Rates

The majority of African currencies depreciated against the U.S. dollar alongside the Euro. The Euro fell against the U.S. dollar by 1% over the week, driven by a rise in the yield rate of U.S. Treasury Bonds and concerns about Ireland's debt crisis.

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“In West Africa, inflation will average 1.2 % at the end of the year ...”

Twenty three African currencies depreciated, with the largest loss of 4.6% being recorded by the Gambian Dalasi, offsetting the previous week's gain of 4.5%. The Dalasi was followed by São Tomé & Príncipe's Dobra which lost 3.2% in value. The remaining twenty one currencies registered losses of less than 2% against the U.S. dollar. On the other hand, ten currencies appreciated with the largest gains of 2% posted by the Mozambique New Metical. The currencies of Sierra Leone and Angola remained unchanged vis-à-vis the U.S. dollar over the week.

2. Regional Developments

West Africa: The BCEAO, the central bank of the West African Economic and Monetary Union (UEMOA) countries predicted that inflation across West Africa will average 1.2 % at the end of the year. The rate is lower than the earlier projection of 1.3 % in September despite the bank's own warning in September of a risk linked to a surge in wheat prices.

3. Countries in Focus

Angola: The Minister of Finance predicted economic growth rates of 6.7 % this year and 7.6 % next year, leading to a budget surplus next year, due to improved output from oil and other sectors. The growth forecast for the next year is much higher than the International Monetary Fund's projection this week of 2.5 %. The 2010 estimate also substantially exceeds the 4.5 % forecast by the President in October.

Cameroon: The country plans to issue the first treasury bonds of 200 billion CFA francs yielding 5.6 % and maturing from 2012 to 2015. The funds will support infrastructure projects including the Lom Pangar dam to increase power output from downstream hydroelectric plants, and to allow construction of new energy capacity.

Democratic Republic of Congo: Exports from Congo's southern copper lands is expected to rise by 25 % to over 1 million

tonnes next year due to renewed investor confidence following a government mining contract review.

Ethiopia: The country announced its plan to introduce one-year Treasury bills and hold weekly auctions by December. The Central Bank issues Treasury bills sporadically. It recently invited tenders for 28-day bills worth 910 million Birr with a maturity date of December 15, 2010.

Ghana: The Minister of Finance predicted economic growth would double to 12.3 % in 2011 as its first oil was produced. He announced a series of tax hikes aimed at financing substantial new infrastructure spending, pledging to narrow the fiscal deficit and warning that oil revenues would not be enough in themselves to transform the country still marked by widespread poverty.

Kenya: CDC Group PLC, a British development finance institution, announced that it was focusing the bulk of its 57 million pound Kenyan investment portfolio on infrastructure and financial services. CDC's Kenya portfolio had shrunk slightly in the past few years. However, it plans to put the capital back into the east Africa's largest economy, on expectation that the rapid population growth in the country will increase the demand for infrastructure.

Morocco: The country's foreign currency reserves fell 5.5 % year-on-year in September as higher phosphate export revenues and expatriate remittances failed to offset soaring import bills for oil and grains.

Mozambique: Consumer inflation was steady near a two-year high at 15.3 % year-on-year in October compared with the same rate in September. The country is heavily dependent on imports from neighboring South Africa. The high inflation reflected in part the depreciation of its currency, the Metical, by more than a quarter of its value against the South African rand this year.

“In Cameroon, the country plans to issue treasury bonds of 200 billion CFA ...”

“In Mozambique, consumer inflation was steady near a two-year high at 15.3 % year-on-year in October in tandem with the depreciation of the Metical ...”

Namibia: The central bank has reported that falling inflation has cushioned the country's exports from the effect of a strong currency. The Central Bank expected no dramatic increase next year in annual inflation, which stood at a five-year low of 3.9 % in October, despite expected food and oil price increases.

Nigeria: The Government sold NGN 89.2 billion in 20-year, 7-year and 3-year sovereign bonds at its eleventh debt auction of the year. The amount of bonds sold was 27 % above the level initially advertised by the debt office, but short of the NGN 126.9 billion demanded. Partly as a result, the marginal yield rate on the 3-year bonds rose to 11.5 % from 10.5 % last month, that of the 7-year paper was up to 13.2 % from 11 %, while the 20-year bond rate edged up to 15.5 % from 14 %.

Rwanda: The central bank cut its key repo rate by one percentage point to 6 %, the second reduction this year designed to stimulate lending to the private sector. It also expressed its plan to keep the lending rate on hold through the first quarter of 2011, when inflation rates are likely to start picking up.

Tanzania: A 10-year Treasury bond auction was undersubscribed and the Central Bank sold less than half the amount of bonds on offer. The Bank of Tanzania had offered 20 billion shillings of the fixed-rate Treasury bonds with an 11.44 % coupon. It received bids worth 18.5 billion and sold just 9.5 billion shillings of bonds.

Zambia: The country has secured export markets for 125,000 tonnes of its surplus maize and may soon conclude deals for an additional 258,000 tonnes.

Zimbabwe: Total bank deposits increased to US\$2.3 billion in October from less than US\$0.2 billion in February last year when the economy adopted the multi-currency system. Strong growth in deposits and loans, in part reflected the increasing confidence in the country's financial sector and the cumulative impact of a growing economy in line with the recently restored

lender-of-last-resort role of the Reserve Bank of Zimbabwe.

4. Development Partnerships

AfDB: The African Development Bank (AfDB) has launched a two-year technical assistance program - the African Carbon Support Program, which is geared toward assisting Bank clients in regional member countries to access carbon finance. The program involves a screening process whereby the carbon finance potential of investment proposals received by the Bank is identified and assessed. At the same time, capacity building activities will be undertaken for host country government, where such carbon- finance eligible projects are going to be developed.

IMF-Ethiopia: The International Monetary Fund (IMF) announced it would give Ethiopia \$62.7 million from its Exogenous Shock Facility, the final tranche of a \$240.2 million package. The IMF stated that Ethiopia had successfully implemented good macroeconomic policies, such as bringing soaring inflation down and building international reserves to about 2.1 months of import cover. Ethiopia, one of Africa's fastest growing economies, reported that the year-on-year inflation was 10.6 % in October down from 64.2 % in July 2008.

5. Summary

During the week of 15 – 19 November 2010, the majority of African stock markets gained alongside the major global stock markets. Growth acceleration has been forecast in Ghana and Angola, while inflation has been falling in West Africa, Ethiopia, and Namibia. Other positive developments include: exports of surplus maize in Zambia, increasing copper exports in DRC, a strong rise of bank deposits in Zimbabwe, and oversubscription of bond issued in Nigeria. On the other hand, Tanzania's bond auction was under-subscribed, while Morocco has seen a reduction in foreign reserves. Governments in Cameroon and Ethiopia plan to issue bonds with a view to financing infrastructure and deepening domestic debt markets, respectively.

“In Zimbabwe, total bank deposits increased to US\$2.3 billion in October from less than US\$0.2 billion in February last year”

Appendix Table 1: Stock market movements – Week ending on 19 November, 2010

Stock Markets				
Region/Country	Index Name	Weekly % change (19-11-2010)		Year-to-date % Change
		Week under review	Previous week	Dec 31 - Nov 19
Côte d'Ivoire	BRVM Composite Index	▲ 0.07	▼ -1.57	▲ 25.5
Egypt*	CASE 30 Index	▲ 0.92	▼ -0.02	▲ 9.9
Ghana	Ghana All Share	▲ 2.90	▼ -1.57	▲ 25.7
Kenya	Nairobi SE Index- NSE 20	▼ -0.33	▼ -1.22	▲ 41.0
Mauritius	Mauritius AllShares	▲ 1.62	▲ 1.38	▲ 15.5
Morocco	Casa All Share Index	▲ 0.74	▲ 0.05	▲ 18.0
Nigeria	NGSE All Share Index	▼ -1.61	▲ 2.29	▲ 19.8
South Africa	All Share Index	▼ -0.93	▲ 0.75	▲ 13.5
Tunisia	Tunis se Tnse Index STK	▲ 0.04	▲ 3.04	▲ 24.2
Uganda*	Uganda SE All Share index	▲ 1.99	▲ 0.54	▲ 67.2
Others				
USA	Dow Jones Industrial	▲ 0.10	▼ -2.20	▲ 7.4
France	CAC 40 Index	▲ 0.76	▼ -2.19	▼ -1.9
Japan	Nikkei 225 Index	▲ 3.06	▲ 1.03	▼ -5.0

* Value at end of 18 November, 2010

Appendix Table 2: Exchange rate movements – Week ending on 19 November, 2010

Exchange Rates (currency per US\$)								
Region/Country	Currency Name	Currency Code	Weekly % change (19-11-2010)		Year-to-date % Change			
			Week under review	Previous week	Dec 31 -Nov 19			
Africa								
Algeria	Algerian Dinar	DZD	▼	-0.55	▼	-0.64	▼	-1.5
Angola	New Kwanza	AON	▲	0.00	▲	0.01	▼	-3.4
Botswana	Pula	BWP	▼	-0.67	▼	-1.51	▲	1.2
Burundi	Burundi Franc	BIF	▲	0.05	▼	-0.53	▲	0.9
Cape Verde	Escudo	CVE	▼	-1.86	▼	-1.86	▼	-8.6
Comoros	Comoros Franc	KMF	▼	-0.28	▼	-3.85	▼	-5.0
Congo. Dem. Rep. of	Congolese Franc	CDF	▼	-0.02	▲	0.00	▼	-12.2
Djibouti	Djibouti Franc	DJF	▲	0.01	▼	-1.26	▼	-2.3
Egypt	Egyptian Pound	EGP	▲	0.02	▼	-0.29	▼	-4.6
Ethiopia	Birr	ETB	▼	-0.11	▼	-0.48	▼	-22.9
Gambia. The	Gambian Dalasi	GMD	▼	-4.56	▲	4.53	▼	-7.2
Ghana	New Cedi	GHS	▼	-0.08	▼	-0.07	▲	0.0
Guinea	Guinea Franc	GNF	▼	-0.54	▼	-0.28	▼	-29.7
Kenya	Kenyan Shilling	KES	▲	0.37	▼	-0.73	▼	-5.5
Liberia	Liberian Dollar	LRD	▲	1.45	▲	2.86	▲	1.4
Libya	Libyan Dinar	LYD	▼	-0.72	▼	-2.34	▲	1.9
Madagascar	Ariary	MGA	▲	0.20	▼	-1.54	▼	-1.9
Malawi	Kwacha	MWK	▼	-0.37	▲	0.34	▼	-3.5
Mauritania	Ouguiya	MRO	▼	-0.77	▲	2.42	▼	-5.5
Mauritius	Mauritius Rupee	MUR	▼	-1.48	▼	-0.90	▲	0.2
Morocco	Dirham	MAD	▼	-0.57	▼	-2.54	▼	-3.9
Mozambique	New Metical	MZN	▲	1.97	▲	0.00	▼	-22.8
Nigeria	Naira	NGN	▲	0.98	▼	-0.51	▲	0.8
Rwanda	Rwandan Franc	RWF	▼	-0.33	▼	-0.33	▼	-3.0
São Tomé & Príncipe	Dobra	STD	▼	-3.22	▼	-2.38	▼	-13.9
Seychelles	Seychelles Rupee	SCR	▲	0.08	▼	-0.67	▼	-8.6
Sierra Leone	Leone	SLL	▲	0.00	▼	-0.04	▼	-6.0
Somalia	Somali Shilling	SOS	▼	-0.05	▼	-1.10	▼	-7.5
South Africa	Rand	ZAR	▼	-1.35	▼	-0.97	▲	5.9
Sudan	Sudanese Pound	SDG	▼	-0.40	▲	0.09	▼	-2.0
Tanzania	Tanzanian Shilling	TZS	▼	-0.35	▼	-0.27	▼	-10.5
Tunisia	Tunisian Dinar	TND	▼	-0.68	▼	-2.01	▼	-6.2
Uganda	Uganda Shilling	UGX	▲	0.03	▼	-0.14	▼	-16.4
Zambia	Zambian Kwacha	ZMK	▼	-0.55	▼	-0.45	▼	0.0
CFA zone Countries	CFA Franc	XOF	▼	-0.47	▼	-3.49	▼	-4.8
Others								
Europe	Euro	EUR	▼	-1.02	▼	-3.12	▼	-5.1
Japan	Yen	JPY	▼	-1.25	▼	-1.73	▲	10.7

Source: AfDB Statistics Department, November 2010